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# Market Context

**We operate in a rapidly changing environment. By understanding key trends, we can take advantage of opportunities as they arise and act quickly to reduce risks to our business where necessary.**



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## Market Context continued

# Egypt Macro Analysis

Egypt's economy has been impacted by a range of domestic and global challenges, but the outlook looks set to brighten amidst planned GCC investments into sectors such as real estate.

Consequently, economic activity has been impacted with growth projected at 3.8%<sup>1</sup> during FY23 from 6.6% a year earlier, although there was a positive recovery in revenues from the Suez Canal and tourism.



Egypt's FY24 GDP forecast sees growth at around 3%<sup>1</sup>, improving over the medium term as the country pushes ahead with stabilisation and structural reforms.

During 2023, the country embarked on a programme to reduce the state's footprint in the economy and to boost private investments. The government has worked extensively on privatising state assets, amending competition laws to promote a level playing field and enacted several other regulatory reforms to attract higher levels of FDI.

Budget FY2023/24 foresees an improvement in the primary surplus to 2.5% of GDP from 1.6% in the previous fiscal year, but with a drop in the budget deficit to 7% of GDP.

The Egyptian real estate market has continued to show resilience in the face of recent, inflationary pressures and economic uncertainties. The sector has witnessed strong demand, higher sales and increased investments in the past few years, accompanied by government efforts to streamline processes and enhance the overall ecosystem for buyers and suppliers, whether foreign or local<sup>2</sup>.

With a population of over 112 million at the end of 2023, and growing at close to 2 million per year, the long-term fundamentals of Egypt's residential sector remain unchanged, with sustained future opportunities linked to servicing of demand created by the country's household formation and growing second home market.

The market has demonstrated significant growth with a compound annual growth rate (CAGR) of 48% from 2020 to 2022. Notably, there has been an unprecedented year-on-year growth in gross sales of listed developers, reaching EGP 203 billion and 141% in the first nine months (41% in USD terms)<sup>2</sup>. At the same time, prices have increased by 70% – 100% during 2023.

In the first nine months of 2023, East Cairo maintained its position as the top-performing region in terms of residential sales, accounting for 60% of the total transaction value across the listed market. West Cairo followed with a contribution of 20%, and the North Coast with 17%<sup>2</sup>.

1. World Bank; 2. OECD Economic Outlook, Volume 2023 Issue 2: Prelimina version.

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**Market Context** continued**Egypt market analysis** continued

In the broader market context, key developers have experienced a year-on-year growth in sales value of 119% in the first nine months of 2023 (28% in USD terms)<sup>2</sup>. This growth can be attributed to several factors, including inflation, strong confidence in the real estate market as a reliable investment during times of economic instability, expectations of further depreciation of the Egyptian pound, limited availability of foreign currency and a significant increase in gold prices in Egypt. These factors have positioned real estate as a safe haven for Egyptian's capital, particularly in the current economic climate.

Throughout 2023 residential sales have continued to gain momentum, primarily attributed to the increasing local demand for real estate as a hedge against currency devaluation and high inflation.

The government has undertaken significant efforts to reform laws and regulations to further promote the export of Egyptian real estate and utilise the sector as a means of generating hard currency in the coming years. This initiative aims to attract foreign investment, particularly from Gulf nations who are interested in exploring new investment opportunities or acquiring residential properties in Egypt for use as secondary homes or vacation retreats<sup>1</sup>.

In July 2023, the government approved a new law that allows foreign individuals to own residential properties in Egypt. To further incentivise foreign buyers, the law includes provisions for conditional citizenship and a range of benefits. Additionally, the government has announced its plans to raise USD 2–3 billion through the establishment of a new company dedicated to leasing and selling properties in foreign currency. This company will facilitate the sale of properties to foreign investors in exchange for five-year residency permits.

1. Knight Frank (Destination Egypt 2023); 2. SODIC.